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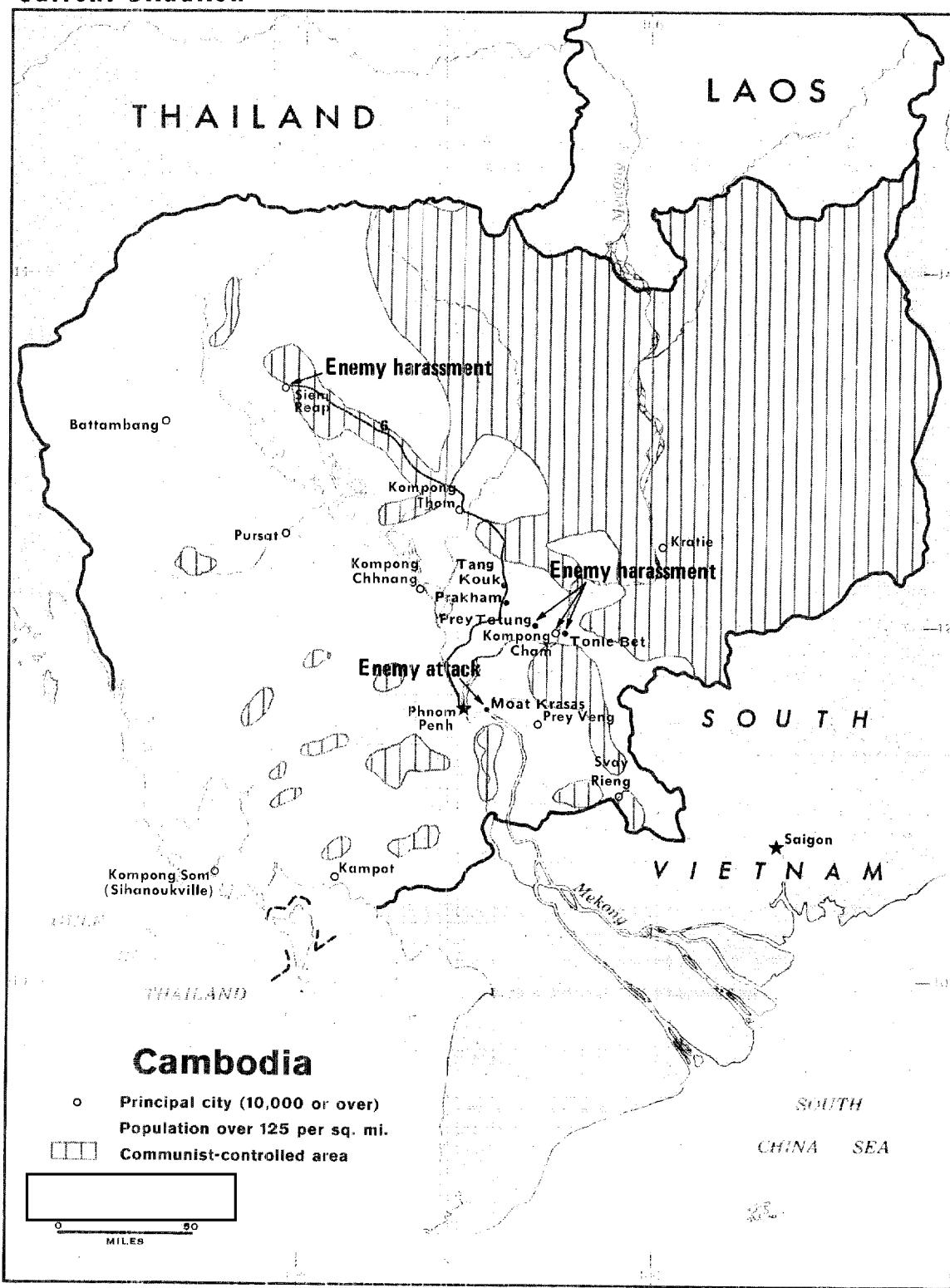
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Current Situation

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CAMBODIA: [The Communists are continuing to harass elements of the government's multibattalion task force strung out along Route 6.]

[On 10 October, for the fourth consecutive day, enemy forces--estimated at several hundred men-- attacked Cambodian Army positions on Route 6 between Tang Kouk and Prakham. Four government soldiers were killed, and 42 were wounded; the enemy lost six killed. No new significant ground attacks developed against the column yesterday, however. Despite the continuing intensity of enemy pressure against the column, the task force commander still believes that the situation is well in hand, principally because of his air and artillery superiority.]

[In the Phnom Penh area, a Cambodian Army battalion located at Moat Krasas, some six miles east of the capital, came under mortar and heavy-weapons fire throughout the night of 9-10 October. Although the action may have been intended to draw attention from the festivities surrounding the government's declaration of Cambodia as a republic, it may also portend an increase in activity by an estimated

1,500 enemy troops who,

[have been reported in the area. There is no other hard evidence, however, that a force of this size has deployed so close to Phnom Penh.]

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[Elsewhere in the country, Communist forces launched a series of shelling attacks over the weekend against government positions in and around Siem Reap city in the west, while in the east, Kompong Cham city, along with nearby Tonle Bet and Prey Totung, came under enemy harassment.]

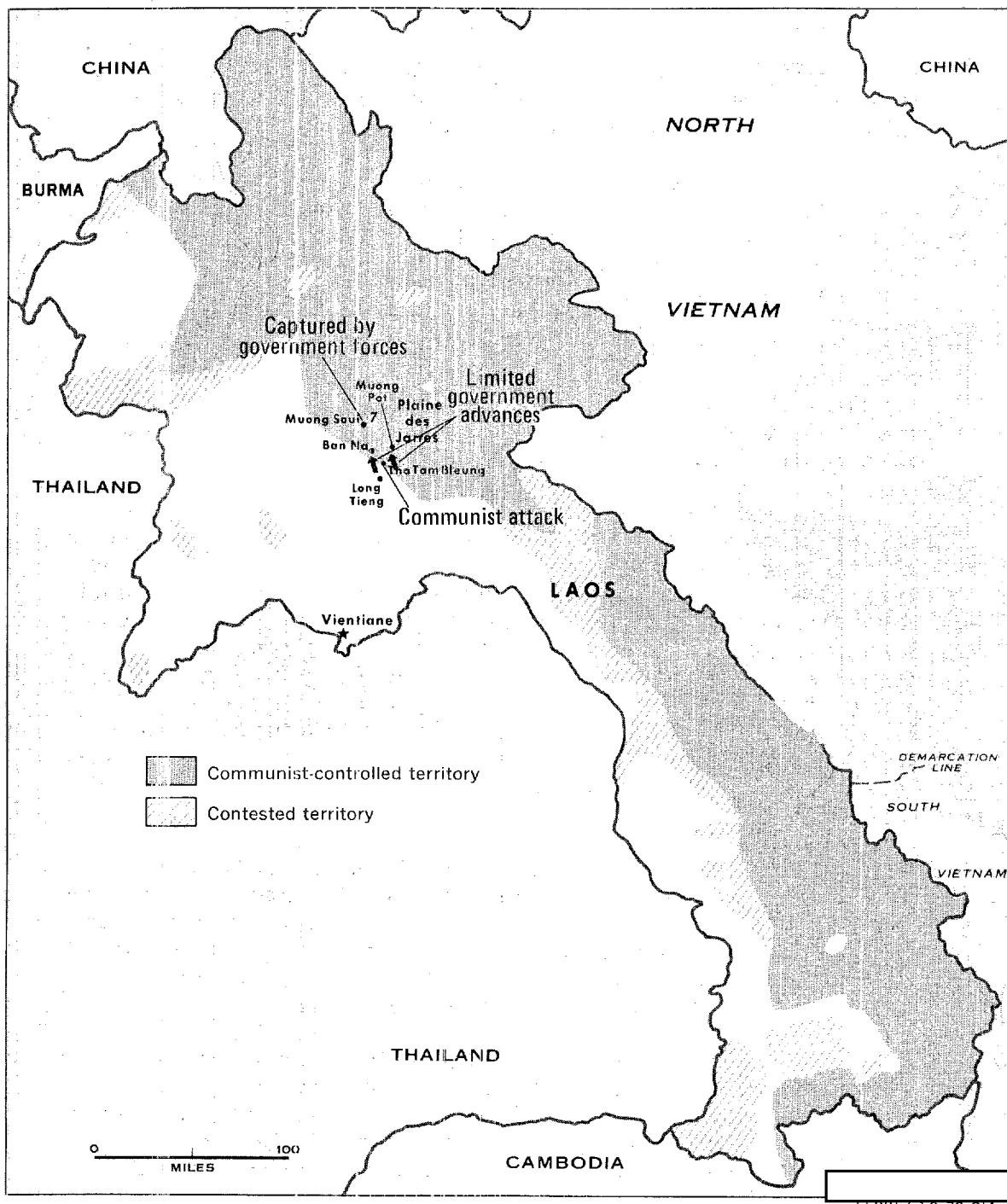
[The attacks in the Kompong Cham area may be the harbinger of heavier ground actions to come. Several major elements of the Viet Cong 9th Division have recently converged at the Chup rubber plantation just east of Kompong Cham city.]

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LAOS: Current Situation



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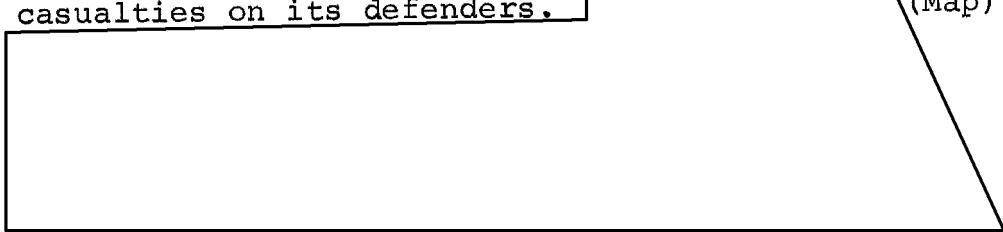
LAOS: Government forces have registered gains in the north.

Successfully capping efforts that began in August, Vang Pao's irregulars this weekend captured the deserted town of Muong Soui and its nearby air-strip on the western edge of the Plaine des Jarres. No significant enemy resistance was encountered. Muong Soui, formerly a major Lao neutralist headquarters, has been under Communist control since February 1970. It has more political than strategic importance.

Parallel drives by three battalions of irregulars toward enemy-held territory between Ban Na and Muong Pot, southwest of the Plaine, also made some limited progress. For their part, the Communists mounted a surprise attack behind government lines against Tha Tam Bleung, an irregular support base less than seven miles from Vang Pao's headquarters complex at Long Tieng, inflicting fairly sizable casualties on its defenders.

(Map)

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USSR-SINGAPORE: Prime Minister Lee Kuan Yew claims that the Russians have expressed interest in utilizing facilities in Singapore for the servicing and maintenance of merchant and naval vessels.

Lee told the British last weekend that Soviet Premier Kosygin broached the subject during his visit to Moscow last month. Lee says he told the Soviets he had no objection to their utilization of Singapore facilities in peacetime and suggested they dispatch a mission to discuss details.

Singapore has been pondering for some time the problem of productively exploiting the huge naval base after the British depart in late 1971. Although a number of Soviet merchantmen call at Singapore, they have made only minor use of repair and supply facilities. No Soviet warships are at present serviced by Singapore's naval facilities.

Moscow may be genuinely interested in exploring the possibility of increased use of Singapore for commercial shipping, and may also be intrigued with the possibility of limited naval use of the port. Nevertheless, Lee's political commitment to the West and the practical difficulties of utilizing Singapore's shipyards side by side with Western navies would probably temper Soviet enthusiasm.

Lee's account does not square with other reports of his conversations in Moscow. Earlier versions had it that it was Lee who was urging Moscow to make fuller use of Singapore for civilian merchantmen--not warships. [The British have speculated that Lee's version may be designed to spur additional use of the economically important port facilities by the US. On the other hand, Moscow may have been following up Lee's statement last March encouraging all countries to make use of the port.]

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BOLIVIA: General Torres has established generally leftist-nationalist policy guidelines for his government, [but cracks are already appearing in the coalition that brought him to power.]

In a press conference Saturday, President Torres elaborated on the direction his "revolutionary-nationalist" government will take. He repeated that he intended to pay compensation to Gulf Oil Company for the property that the government expropriated last year, saying that "indemnification is a guarantee for credit" and necessary "to ensure international confidence." "Progressive nationalization of foreign capital" was nevertheless a major point in his statement of economic policy. Other key points were the reorganization of the financial system and a new law that would guarantee private investment, but presumably with some attempt at providing worker participation.

As outlined so far, Torres' general policies appear to be influenced more by nationalistic elements within the military than by leftist civilian leaders who have urged a radical program on the new President. [In fact, the civilian groups who were instrumental in Torres' take-over of the government appear to be greatly disappointed with his actions to date.] Leftist labor and student groups will be loath to give up their expectations of greater influence under Torres, and they will continue to seek ways to move him further to the left.

The probability of increasing labor and student disenchantment with Torres, plus the President's failure to achieve full military support, creates a basically unstable situation. The military units that were on the verge of revolt only three days ago have agreed only to avoid further disunity in the armed forces. [There appears to be no immediate threat to the new government, but active military opposition could develop rapidly if Torres veers to the left in an attempt to recapture the full support of labor and students.]

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USSR-IRAN: A 15-year trade and economic cooperation protocol signed by the two governments ensures continuing Soviet participation in Iran's economic development.

The protocol provides for the expansion of the Soviet-financed steel mill at Isfahan and the expansion of joint exploration efforts for gas and oil. Agreement reached in principle would permit Iran to sell natural gas to Western Europe through a Soviet-financed pipeline parallel to the present system. The two sides also agreed to study the possibility of establishing joint petrochemical projects in Iran, but an Iranian official said that these projects would be undertaken only if they were determined to be economically sound.

The Soviets also agreed to extend an additional \$44-million credit to finance the import of unspecified Soviet capital goods. Iran, for its part, agreed to unspecified increases in exports to the Soviet Union of cotton, rice, and oil seeds as well as light consumer goods.

There was no public announcement on supplying Soviet military hardware to Iran. It is likely that this topic also was discussed, however.

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BERMUDA: [A week of arson and looting has reportedly prompted the call-up of the reserve constabulary and the alerting of British troops.]

[The trouble between black youths and the predominantly white police force appears to stem from a general disenchantment with the establishment rather than from any specific grievance. Police estimate that the almost nightly fire-bombings, which have grown out of a minor incident on 2 October, have caused \$300,000 in damages. Further disturbances could curtail the island's lucrative tourist trade. Officials are probably also concerned over the possibility of disorders during Prince Charles' visit on 21 October, when the 350th anniversary of Bermuda's parliament will be commemorated.]

[Bermuda was the site of serious disturbances in 1968 when an incident between a youth and police led to two days of rioting and \$2 million in damages; British troops were called to help restore order. Negro hostility toward white domination in general and the unpopular police force in particular was probably a factor in those disorders; the population is about two thirds black. The colony's security forces are small--a 250-man police force and a largely black 450-man regiment whose effectiveness is questionable. The reserve constabulary numbers only about 70 men.]

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GUYANA: Communist leader Cheddi Jagan has announced that his party will boycott congress and abstain from the next local elections in protest against the Burnham government, according to press reports. Jagan, whose party controls 19 of 53 legislative seats, has long maintained that Burnham won the 1968 elections by fraud and that he maintains himself in power through illegal tactics. The opposition leader spoke in Venezuela, on the first leg of a trip that will include a visit to the USSR and attendance at the World Peace Conference in New Delhi at mid-month. Jagan also denounced the recent border agreement between Guyana and Venezuela. He characteristically included the US in his wide-ranging criticisms, welcoming news of the recent coup in Bolivia, and stating that the US apparently will not be able to "intervene" successfully in Chile, Peru, or Bolivia as, he claimed, it did in Guyana when he was in power in the early 1960s.

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RHODESIA: The government has established strict controls over allocation of foreign exchange for imports. Industries considered vital to the economy will be given priority in the distribution of hard currency. The economy's exceptional real growth rate of about ten percent in 1969, together with reduced export receipts, made the restrictions necessary. Although mineral export earnings increased, they failed to offset the drop in exports of agricultural products caused by last year's drought. As a result, foreign exchange reserves are expected to remain at the current low level.

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